

National Assembly for Wales

Communities, Equality and Local Government Committee

CELG(4) HB 06

Inquiry into barriers to home building in Wales

Response from : Federation of Master Builders Cymru

- **To establish whether development costs are impeding and constraining the delivery of new homes in Wales.**

- 1) The issue is the cumulative impact of regulation and its impact on land values. In Wales, land values are lower to start with, so that gives you less scope to support the requirements on development.
- 2) In Wales there is a Sustainable Building Standard from TAN 22, which requires all homes to be built to Code for Sustainable Homes Level 3 plus 1 energy credit. The supplementary costs of this have been estimated at around £3500 per dwelling.
- 3) Changes are being proposed to Part L of building regulations and will be introduced at the beginning of 2015. These will require a new home to achieve a 40% improvement over 2010 Part L. Costs are estimated at £4500 per dwelling.
- 4) Sprinklers – will be introduced this year with an estimated cost of £3k per dwelling.

It can therefore be argued that it will cost £11,000 per dwelling more to build a home in Wales than it costs in England. This coupled with lower land values, particularly in valleys areas, means that the development viability to the volume house builders in particular is severely affected.

- **identify specific concerns of small and medium sized construction companies based in Wales**

- 1) The needs of the volume house builder are often the first to be addressed in this situation. This may indeed be a valid approach given the huge amounts of necessary housing they can provide. However, the FMB believes that the planning system could be used in a more supportive way to ensure there is a fair supply of land is released in small enough tranches that will allow the smaller builder/developer to compete with the volume house builder. It's clear that as with the bundling of construction contracts, in procurement, letting out large tracts of land for development, can solve an administrative burden. However, the FMB believes this is at a cost to the local economy in that it fails to support sustainable local business and training opportunities they provide. There is also the cultural aspect to design and quality that should not be ignored. Is it right that all domestic building in Wales is identical to domestic buildings in the rest of the UK? Are we completely happy with this approach that fosters and homogenous envelope of building design? This is a direct fall out from encouraging large volume UK builders to develop huge estates that fail to reflect the character of the local design culture and nomenclature. This approach, whilst allowing for a cost effective approach to house building, also allows for greater profits for the volume house builder at the expense of the sme indigenous builder/developer who cannot compete on the same scale.

- 2) In Wales we do not have schemes that offer assistance specific to house purchase, particularly for the younger buyer that seems to exist in England. (New-Buy - Help 2 Buy - New Homes Bonus). The Welsh housing markets needs a scheme that will work in this area to assist the young and disenfranchised to access the housing ladder. This will help to provide a boost to the house building market by stimulating demand. The worry is that the issue will be kicked into the long grass until the UK wide New-Buy scheme comes in January 2014. Ever since the collapse of the scheme in mid-April the stock answers to question around this has been 'we are looking into it'.
- 3) Our understanding is that mortgages are difficult and costly for many. Yet in years past, Local Authorities were able to offer mortgages to people unable to access the normal channels and were often very competitive. The FMB does not understand why the Welsh Government cannot introduce a similar scheme that would underwrite mortgages on a competitive basis.
- 4) As well as new build the Welsh Government must not lose sight of the fact that there are 23,000 plus unoccupied dwellings in Wales. In April 2012 the Welsh Government introduced the Houses into Homes scheme. The Sheffield Hallam University report on the scheme says "It is too early in the lifecycle of Houses into Homes to say anything robust about the additionalities associated with the scheme. However, regional leads and local authority empty homes officers did point to a number of positive differences and unforeseen benefits that had already arisen - The scheme was also championed for its role in prompting local authorities with a limited recent history of working to bring empty homes back into use to dedicate greater resources to understanding and tackling the problem. This has included the appointment of dedicated empty homes officers." This scheme provided a £10 million pot for interest free loans. As this scheme is a success, why can't the pot be more? £10million seems a relatively small amount when compared to the costs & profits associated with new build.

- **Identify "quick-wins" that can be implemented by the Welsh Government to assist the whole homebuilding industry**

- 1) The Vat burden on repair and refurbishment is having a deadening effect on the reintroduction of these buildings into the Welsh Housing stock. We understand that, unfortunately, the Welsh Government cannot amend this iniquitous situation directly, whereby, new build houses benefit from a 0% Vat rate when refurbishment carries the full 20%! However, as Wales has the oldest housing stock in Europe, this built in inequality has a proportionately greater effect in Wales. We need to be bringing as much pressure as possible on the Westminster Government to amend this imbalance by reducing the Vat on repair and refurbishment to 5%. Failing a positive response to this, we urge the Welsh Government to consider options around this devolution conundrum including the exploring of petitioning the EU for an alteration to the rules that allows for the devolution of Vat to Wales.
- 2) Encourage or guide Local Authorities to release tranches of land in small batches to allow small developers who are more agile and able to start work immediately to add to the new build stock.

- 3) Bring forward as a matter of urgency a first time buyer scheme such as 'New Buy Cymru'.
- 4) Devolve and remove the stamp land tax duty. This iniquitous 'slab' tax offers only an obstruction to the growth and development of the housing market.
- 5) Broaden and increase the activity and budget for the 'Houses into Homes' scheme.
- 6) There is a plethora of little used but extant 'Building Control' type of existing legislations operative in many Local Authorities in Wales. It is generally understood that once a contractor [new or repair] satisfies Building Regulations and Planning controls, the contract is free to continue. However, there have been occasions where contractors have been forced to providing extra costly applications and information having fallen foul of older legislation such as the Mid Glamorgan Building Control Act of 1987. Ignorance of these laws is no defence in law. However, the penalty for not complying can be as high £5000. We would urge the Welsh Government to review, assess and where needed, repeal these laws as a matter of urgency.

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Richard Jenkins MSc.Dip.M
Director/Cyfarwyddwr FMB Cymru